

Message Text

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ACTION ARA-10

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 CIAE-00 INR-10

NSAE-00 RSC-01 AID-10 EB-03 PM-03 DODE-00 TRSE-00

AGR-03 DRC-01 SP-01 /064 W
----- 107204

P R 211445Z MAY 74

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC PRIORITY 5518

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY TEGUCIGALPA

USCINCSO

C O N F I D E N T I A L SECTION 1 OF 2 SAN SALVADOR 2027

LIMDIS

E.O. 11652: GDS

TAGS: PFOR, ES,US

SUBJECT: CONVERSATION WITH PRESIDENT MOLINA ON SALVADORAN
DOMESTIC AND FOREIGN POLITICAL ISSUES

USCINCSO FOR POLAD

1. SUMMARY. IN PRIVATE CONVERSATION WITH PRESIDENT MOLINA
ON MAY 16 AT HIS INITIATIVE, HE DISCUSSED SOME OF THE MAJOR
DOMESTIC AND FOREIGN POLITICAL ISSUES OF HIS ADMINISTRATION,
I.E., UNDERDEVELOPMENT OF EL SALVADOR, OVERPOPULATION, INCOME
REDISTRIBUTION, AGRARIAN REFORM, INFLATION, POLITICAL ADVERSARIES
OF THE RIGHT AND LEFT, ELECTION IRREGULARITIES, ROLE OF THE
MILITARY, HONDURAS/EL SALVADOR PROBLEM, AND CENTRAL AMERICAN
RELATIONS, INCLUDING THE COMING SUMMIT MEETING. HE DEVOTED
MOST OF HIS REMARKS TO REITERATING FOR MY BENEFIT MANY OF THE
VIEWS HE HAD PREVIOUSLY REVEALED IN CONVERSATIONS WITH US
OFFICIALS DURING THE COURSE OF HIS ADMINISTRATION. AT THE OUTSET,
HE ALSO EXPRESSED HIS INTEREST IN GETTING TOGETHER PERIODICALLY
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WITH ME AND DCM MOSKOWITZ FOR PRIVATE, INFORMAL AND CONFIDENTIAL

CONVERSATIONS, PREFERABLY AWAY FROM HIS OFFICE. END SUMMARY.

2. PRESIDENT MOLINA INVITED ME AND DCM MOSKOWITZ TO HIS OFFICE ON MAY 16 FOR WHAT HE DESCRIBED AS A "PRIVATE, INFORMAL CHAT." THIS TURNED OUT TO BE LARGELY A HALF-HOUR MONOLOGUE IN WHICH HE REITERATED MANY OF HIS WELL KNOWN VIEWS ON MAJOR ISSUES FACING HIS ADMINISTRATION. HE ASSERTED AT THE OUTSET THAT HE DESIRED TO MEET WITH ME AND MOSKOWITZ FROM TIME TO TIME "WITHOUT PROTOCOL" AND, PREFERABLY, AWAY FROM HIS OFFICE (HE SUGGESTED LUNCHES AT HIS OR MY RESIDENCE) TO EXCHANGE VIEWS ON DEVELOPMENTS. HE STRESSED HIS FRIENDSHIP AND ADMIRATION FOR THE US AND THE NEED FOR CLOSER RELATIONS BETWEEN OUR TWO COUNTRIES, PARTICULARLY TO WORK TOGETHER TO ADVANCE MUTUAL INTERESTS AMONG WHICH HE IDENTIFIED ASSISTANCE TO EL SALVADOR TO HELP IN ITS DEVELOPMENT AND REFORM EFFORTS. HE REFERRED TO HIS MAY 5 ARMY ANNIVERSARY SPEECH WHEREIN HE CITED THE COUNTRY'S DESPERATE PLIGHT OF UNDERDEVELOPMENT AND HIS ADMINISTRATION'S PRINCIPAL TASK OF BRINGING ABOUT SOCIAL REFORM AND ECONOMIC PROGRESS. HE WENT ON TO IDENTIFY OVERPOPULATION AND LACK OF NATURAL RESOURCES AS MAJOR PROBLEMS.

3. HE ALSO REITERATED HIS VIEW THAT THE CHIEF POLITICAL ADVERSARIES OF SALVADOR'S PROGRESS WERE THE EXTREME LEFT AND RIGHT. THE IMPACT OF CUBA ON THE FORMER (PARTICULARLY ON STUDENTS, LABOR AND SOME CLERGY) HAS LED THEM TO ADVOCATE EXTREME SOLUTIONS THAT WOULD PRODUCE POLITICAL HAVOC. THEY ARE ALSO THE HARBINGERS OF TERRORISM, A TACTIC INTENDED TO DISCREDIT THE ESTABLISHED GOVERNMENT. HE IS FIRMLY DETERMINED NOT TO GIVE IN TO LEFTIST PRESSURES AND STATED THAT HE WOULD DEAL FIRMLY WITH ANY ATTEMPTS TO RESORT TO DESTRUCTION OF PROPERTY. ON THE OTHER HAND THE EXTREME RIGHT INSISTS ON MAINTAINING FEUDAL SOCIAL AND ECONOMIC CONDITIONS. THIS, TOO, IS INTOLERABLE, ONE OF HIS PRIMARY TASKS IS TO "HUMANIZE" THE ATTITUDE OF MANY PRIVATE-SECTOR ENTREPRENEURS. PARTICULARLY IN THE COUNTRY-SIDE, LIVING CONDITIONS OF THE CAMPESINOS ARE DEPLORABLE AND IT IS THE RESPONSIBILITY OF BOTH GOVERNMENT AND PRIVATE SECTOR TO IMPROVE THE SITUATION. HE WAS AN ADMIRER OF THE LATE TOMAS REGALADO, AN EXEMPLARY BUSINESSMAN WHO EPITOMIZED THE BEST IN DYNAMISM, VENTURE CAPITAL, NATIONALISM AND CONCERN FOR HIS EMPLOYEES. MOLINA HOPED TO BE ABLE TO PREVAILE ON THE HEIRS

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AND FRIENDS OF REGALADO TO CONVINCE THEM OF THE NEED TO EMULATE DON TOMAS AND ACCEPT CHANGE.

4. MOLINA STATED HIS RECOGNITION OF THE IMPORTANCE OF PRIVATE INVESTMENT (DOMESTIC AND FOREIGN) IN THE ECONOMY AND HIS INTEREST IN ENCOURAGING PROGRESSIVE PRIVATE-SECTOR VENTURES. HIS DILEMMA IS TO CONVINCE THE INVESTOR THAT SOCIAL REFORMS ARE ESSENTIAL AND NOT DETRIMENTAL TO PRIVATE VENTURES; AND THAT HIS

GOVERNMENT DOES NOT INTEND TO PURSUE POLICIES DETRIMENTAL TO BUSINESS AND FARMING. FOR EXAMPLE, HIS GREATEST SINGLE PROBLEM HAS BEEN THE ISSUE OF AGRARIAN REFORM. HE DOES NOT ADVOCATE A DEMAGOGIC AND RADICAL LAND DISTRIBUTION PROGRAM, BUT DOES VERY MUCH DESIRE TO IMPROVE THE LIVING CONDITIONS OF THE CAMPESINOS (E.G., INCOME, HEALTH, EDUCATION, HOUSING, ETC.) DESPITE HIS VERY MODERATE POSITION ON THE SUBJECT, EVERY TIME HE MENTIONS IT, THE PRIVATE SECTOR RUNS SCARED. THE PRICES FOR EL SALVADOR'S CHIEF EXPORTS ARE NOW AT EXCELLENTLY HIGH LEVELS AND THIS IS GOOD; YET, HOW DOES ONE GO ABOUT ASSURING THAT THE IMPROVED INCOME FROM THESE HIGH PRICES IS DISTRIBUTED EQUITABLY TO THE CAMPESINOS AND RURAL WORKERS? IN THE US, BUSINESSMEN AND FARMERS ARE ACCUSTOMED TO PAYING APPROPRIATE TAXES TO GENERATE REVENUES AND PRODUCE INCOME DISTRIBUTION, BUT THIS IS NOT YET THE CASE IN EL SALVADOR. HOW CAN THIS BE CORRECTED WITHOUT CREATING INVESTMENT DIS-INCENTIVE?

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P R 211445Z MAY 74

FM AMEMBASSY SAN SALVADOR

TO SECSTATE WASHDC PRIORITY 5519

INFO AMEMBASSY GUATEMALA

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C O N F I D E N T I A L SECTION 2 OF 2 SAN SALVADOR 2027

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5. INFLATION HAS NOW BECOME A SERIOUS PROBLEM IN EL SALVADOR

AND ONE THAT THE GOVERNMENT MUST FACT, AS WELL. MOLINA SAID THAT HE IS APPOINTING TRI-PARTITE COMMISSION (GOVERNMENT, BUSINESS AND LABOR) TO STUDY INFLATION AND RECOMMEND STEPS TO COPE WITH IT.

6. ANOTHER PROBLEM FOR MILINA STEMS FROM THE RECENT ELECTION. THIS HAD BEEN A GREAT DISAPPOINTMENT TO HIM BECAUSE OF THE IRREGULARITIES WHICH WERE PERPETRATED BY THE CONTENDING ELEMENTS. HE HAD HOPED THAT EL SALVADOR COULD HAVE HONEST ELECTIONS, BUT APPARENTLY THE PEOPLE ARE NOT READY FOR CLEAN POLITICS AND STILL RESORT TO THE SORDID PRACTICES OF THE PAST. THIS, ALAS, IS ANOTHER CONDITON OF UNDER-DEVELOPMENT WHICH HE LAMENTED VERY MUCH.

7. ANOTHER PHENOMENON WHICH HAS LED TO SOME MISUNDERSTANDING HAS BEEN THE ROLE OF THE MILITARY IN GOVERNMENT. HE HAS BEEN ACCUSED BY SOME OBSERVERS OF TAKING PERUVIAN APPROACH, CONFIDENTIAL

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BUT GRADUALLY, BECAUSE HE HAS RECENTLY BEEN APPOINTING MILITARY OFFICERS TO SOME KEY SLOTS IN THE GOVERNMENT (E.G., UNDER-SECRETARY OF AGRICULTURE, PRESIDENT OF INSAFI). ON THE CONTRARY, HE IS NOT EMULATING THE PERUVIANS. HIS PURPOSE IF THREE-FOLD: TO EDUCATE THE MILITARY TO GREATER NATIONAL RESPONSIBILITY; TO PLACE THE MOST QUALIFIED AND CAPABLE OFFICERS IN SUITABLE GOVERNMENT POSITIONS TO DEMONSTRATE THAT THE MILITARY CAN MAKE A DIRECT CONTRIBUTION TO NATIONAL DEVELOPMENT JUST AS ANY OTHER SECTOR; AND TO BUILD A HEALTHY ATTITUDE IN THE MILITARY INSTITUTION OF HONESTY AND DEDICATION FIRST TO COUNTRY, THEN TO THE INSTITUTION AND LASTLY TO SELF.

8. TURNING TO FOREIGN ISSUES, MOLINA SAID THAT HE WAS QUITE FAVORABLY IMPRESSED WITH COSTA RICA'S NEW PRESIDENT, ODUBER, IN THE LATTE'S VISIT; AND BELIEVES HE BODES WELL FOR THE FUTURE RELATIONS OF THE COUNTRIES OF THE REGION. WHILE HE CONSIDERED PEPE FIGUERES TO BE HIS "FRIEND", HE ALSO THOUGHT HIM TO BE SOMEWHAT UNSTABLE IN HIS IMPACT AND REPUTATION. HE THOUGHT THAT ODUBER WOULD HAVE A MUCH SOUNDER AND POSITIVE ROLE TO PLAY IN THE CENTRAL AMERICAN RELATIONS. THE SUMMIT MEETING ON MAY 29 WILL NOT SOLVE ALL OF THE PROBLEMS (HE IS NOT A UTOPIAN IN OUTLOOK); BUT, HOPEFULLY, WILL LEAD TO SOME FUNDAMENTAL UNDERSTANDINGS THAT WILL ENABLE TH CENTRAL AMERICANS TO IMPROVE CONDITIONS FOR COOPERATION AND MUTUAL SOLUTION OF PROBLEMS.

9. HE STILL BELIEVES THAT HE AND HONDURAN CHIEF OF STATE LOPEZ ARELLANO ARE ON THE SAME WAVE-LENGTH: THEY WISH TO FIND A SOLUTION TO THE PROBLEM OF NORMALIZING RELATIONS AS THEY ARE BOTH ACTIVELY SEEKING SUCH A SOLUTION. EACH RECOGNIZES THE INTERNAL DIFFICULTIES AND RESTRAINTS ON THE OTHER IN THIS QUEST, AND APPRECIATES THE NEED TO PROCEED WITH CAUTION. MOLINA IS

STILL CONVINCED THAT ONLY BY DIRECT NEGOTIATIONS BETWEEN THE TWO PARTIES CAN A LASTING SOLUTION BE FOUND. THE WORLD COURT OR ARBITRATION ROUTE WOULD BE TOO LONG, TOO COSTLY, AND IMPRACTICAL. EACH SIDE MUST RECOGNIZE THAT TO ACHIEVE A SOLUTION, BOTH MUST BE PREPARED TO MAKE SOME CONCESSIONS. HE SINCERELY HOPES THAT, IF COMPLETE NORMALITY IS NOT ACHIEVED BY THE TIME HE LEAVES OFFICE, AT LEAST CONSIDERABLE PROGRESS WILL HAVE BEEN ACCOMPLISHED TOWARD THAT GOAL. THE RECENT TUMULT OVER BORDER INCIDENTS IS A MINOR NUISANCE, NOT A MAJOR SETBACK. THE
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MILITARY ON BOTH SIDES ARE IN ACTIVE LIAISON WITH ONE ANOTHER AND WILL KEEP THINGS FROM GETTING OUT OF HAND.

10. HE HOPES THAT THE US EMBASSY WILL BE ABLE TO EXERT SOME INFLUENCE ON THE OLITICAL OPPOSITION IN EL SALVADOR, WITH WHICH IT HAS EXCELLENT RELATIONS, SO AS TO KEEP THAT OPPOSITION FROM EXPLOITING THE HONDURAN ISSUE AND TO BE REASONABLE ABOUT ANY CONCESSIONS EL SALVADOR MIGHT HAVA TO MAKE IN MOVING TOWARD NORMALIZATION. HE WOULD NOT REPEAT NOT CONSIDER SUCH ACTIVITIES BY US TO BE INTERVENTION IN THE INTERNAL AFFAIRS OF EL SALVADOR. HE ALSO CONTINUES TO LOOK TOWARD THE USGOV AS ANOTHER CHANNEL OF COMMUNICATION TO KEEP THINGS ON AN EVEN KEEL BETWEEN HONDURAS AND EL SALVADOR.

11. I ASSURED MOLINA THAT WE, TOO, ARE KEENLY INTERESTED IN AN EARLY SOLUTION OF THE HOMDURAS/EL SALVADOR DISPUTE AND WOULD WORK TOWARD THAT END IN APPROPRIATE WAYS. WE ALSO RECIPROCATATE HIS INTEREST IN MAINTAINING PERIDIC, INFORMAL AND CONFIDENTIAL CONVERSATIONS, FOR MUTUAL EDIFICATION AND TO ENHANCE THE FRIENDLY AND COOPERATIVE RELATIONSHIP WE HAVE ESTABLISHED.
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